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CAPITAL

**A Popular Discussion of Savings, Profits
and the Rights of Property Owner-
ship From a New Viewpoint**

By **GEORGE L. WALKER**

Price 15 Cents

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246 Washington St., Boston, Mass.

CAPITAL

A Popular Discussion of Savings, Profits
and the Rights of Property Owner-
ship From a New Viewpoint

The Fundamentals of Economic Science in
the English of Every Day Use

By GEORGE L. WALKER

Editor of The Boston Commercial

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Boston, Mass.

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246 Washington Street, Boston, Mass.



\$0.15

DEC 12 1914

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TO THE READER.

Dear Sir:—

You are requested to consider this as a personal communication written with the hope that you will give every statement it contains your most careful consideration. After you have done so I shall be glad to receive from you an unrestrainedly frank reply and I promise to give my personal consideration to any question you may ask and to every point you raise, whether it be in commendation or criticism of the facts I have presented or the deductions I draw from them.

Yours very truly,

GEORGE L. WALKER,

Editor Boston Commercial.

Should the person who denies himself the enjoyment of many luxuries in order that he may save a portion of his income be forced to share his savings with those who have not saved?

Should the person who saves be permitted to invest his savings as he chooses and to make as large a profit as he can?

The foregoing questions are the most vital ones that the present generation has to answer. If you are not confident of your ability to answer them decisively, in terms that admit of no controversy, you will find much to interest you in the following pages.

THE REASONS FOR THIS PAMPHLET.

During the past seven years a nation-wide wave of reform has been sweeping over the United States and it seems to have drenched every state and national legislative body with its spray.

Congress and the legislatures of the various states have been constantly employed with the work of crystalizing into law numerous theories developed by those who honestly desire to improve the material and spiritual welfare of mankind, and also some of the schemes advanced by those who seek to promote their personal political success, or to avenge real or fancied wrongs done them by competitors.

The drift is towards socialism and anarchy.

Hundreds of political commissions have been created to investigate corporations and to outline plans for the governmental regulation of business. The legal departments of states and nation have brought hundreds of suits against the various industrial and transportation companies, a few of which have revealed evidence of wrong doing and of deliberate violation of law, but a vast majority of them either have failed to prove the government's contentions or are still pending.

The expenses of these commissions and of this litigation have run into the hundreds of millions of dollars and this burden rests upon the shoulders of the whole people. Industrial activity has been restricted and business interests have been compelled to spend millions for additional clerk hire to compile information for the government and its commissions and to pay still larger sums for private legal advice with a view to ascertaining what they may or may not do legally.

For illustration, the Sherman anti-trust law was in existence nearly 20 years before the government undertook its rigid enforcement, and it was after this law was on the statute books of the nation that a large majority of the industrial and transportation consolidations and combinations, which have since been prosecuted for its violation, were openly brought about with the full knowledge of the public; and they did not evoke at the time so much as a murmur of disapproval from the legal departments of the states or nation. The men who effected these combinations and consolidations believed, in substantially every case, that they were acting within the law and they were so advised by eminent legal counsel.

THE PUBLIC HAS NOT BEEN BENEFITED BY
NEW REFORM LEGISLATION, OR BY
GOVERNMENT PROSECUTION OF
BIG BUSINESS.

It is now beginning to be generally appreciated that the people as a whole have not received any benefit whatever from the great grist of reform laws, any adequate return for the vast sums expended by political commissions, or any increase of their liberties or decrease of their burdens through the vigorous attempt of the government to enforce the anti-trust and business regulative statutes.

During the past seven years the cost of living has constantly advanced, taxation has tremendously increased and opportunities to obtain employment have continuously decreased.

The great reform movement was brought about and given support in expectation that it would purify and raise the standard of politics, that by destroying monopoly it would open the field to the establishment of new industries promotive of helpful competition and, most important of all, would improve the opportunities of the individual by enabling him to increase his income and at the same time buy the necessities and luxuries of life at lower prices. None of these results have been realized.

Here is a mass of fact which should convince us that there is something radically wrong in the character of the reforms brought about and that the theories of the reformers must have been based largely, if not wholly, on false premises.

WHAT IS THE WELLSPRING OF INDUSTRIAL PROGRESS AND GENERAL PROSPERITY?

My study of all available evidence and my observation of results has satisfied me that, paradoxical as it may seem, it is the agitation in favor of reforms that is chiefly responsible for the conditions which make reforms seem to be desirable.

When conditions and tendencies are once definitely known to be wrong, reform unquestionably becomes necessary. With many people, however, reform agitation becomes a habit or a disease and they get so they want reform for the sake of change rather than for the sake of improvement.

The trouble is that the doctors of economics, commonly known as political and social reformers, attempt to treat symptoms without first thoroughly informing themselves as to the cause from which these symptoms arise.

The first thing to be done is to get at the well-spring of industrial progress and prosperity, to ascertain from what one thing the people of the world are deriving the greatest amount of benefit, and then to conserve, defend and protect that thing and encourage it to radiate its blessing influences in ever growing volume and with increasing rapidity.

I have satisfied myself that the most important thing in the world is the supply of capital, meaning the total accumulation of savings and profits, and that the progress, prosperity and well-being of the poor as well as the rich depend upon giving it that protection and encouragement which will cause its owners to invest it without fear or restraint in productive, manufacturing and transportation enterprises.

THE LEADING FACTS WHICH ARE TO BE DEMONSTRATED IN THIS DISCUSSION.

It requires no effort to demonstrate that capital is the kernel of economic science. It is as sensitive as it is important, and whenever reform agitation is directed against it or any attempt made on the part of the public to regulate it or restrict it in its activities, a distinct injury is done to society and the whole people are made to suffer. I shall show:

That the accumulation and untrammelled use of capital have been responsible for humanity's rise from primitive barbarism to the highest standards of enlightened and prosperous civilization;

That the ownership of capital is by no means as important as is its existence;

That a small amount of capital is able to exert a more powerful coercive and domineering influence over prices, wages and the liberty and independence of the people than a very large amount is;

That the competition of capital increases proportionately as the accumulated supply grows, meanwhile steadily reducing the competition of labor;

That the waste, destruction, misuse and discouragement of capital, and the public's antagonism of the rights of private ownership, are responsible for substantially all industrial ills;

That the best interests of the people cannot be served in any country, under any system of government as yet tried or suggested, unless capital is conserved and recognized as the one most important of all factors;

That big profits are beneficial and not detrimental to the public welfare, and that large fortunes are by no means a source of danger to the community.

EXPLAINING WHAT CAPITAL IS AND WHAT IT IS NOT.

Webster defines capital as "That portion of the produce of industry which may be directly employed either to support human beings or to assist in production."

Unimproved land and undeveloped natural resources, works of art, monuments, the pyramids of Egypt and capital tied up in other non-productive forms are more properly defined as wealth, notwithstanding most of these can be sold and thereby exchanged for capital.

All existing capital is at once both the excess product of mental and physical endeavor and the combined savings of millions of frugal people of the past and present generations.

We see it in the tools and machinery, equipment and methods of production, transportation and distribution, the houses we live in and the clothes we wear.

Mines, mills, factories, railroads, ships, domestic animals, food stuffs, raw and partly manufactured materials for further manufacturing, growing timber—to the extent that it will sell for more than the cost of cutting, transportation and manufacture—developed waterpowers, ores, coal, oil and other useful earth products are capital, and also improved agricultural lands, irrigated areas, farm buildings, fences, seeds, fruit trees and vines.

Education and all the acquired knowledge of scientific and effective methods of producing, manufacturing and distributing necessary and desirable things are capital.

Knowledge, resourcefulness, ability to handle men, to make effective plans and to execute them, a good character, the habits of truthfulness, thrift, reliability, industry, a disposition to be fair and just, to avoid bitterness, jealousy and envy toward your fellows, constitute personal capital and happy and prosperous is he who possesses them all.

ACCUMULATION AND USE OF CAPITAL RESPONSIBLE FOR THE RISE OF CIVILIZATION.

The rise of civilization from primitive barbarism has been reviewed by all economic writers in attempts to prove a great variety of theories; but all of them have overlooked the main fact—that the rapidity of man's progress has depended in every instance upon his success in producing a surplus and using it to educate his children and to supply himself with such tools, equipment and systems as would increase the effectiveness and accelerate the productivity of his labor.

The human race has increased in numbers, much as birds and the lower animals do, as rapidly as the food supply and successful resistance of the aggressions of its natural enemies would permit.

The first human being to shape a stick, a stone or a shell so that it would aid him in acquiring food, raiment or shelter, and in personal defence, was the first capitalist.

The accelerated rapidity of production, which was made possible by the use of the capital that gradually accumulated, has yielded the growing surplus which has been used to create mankind's ever increasing benefits and conveniences.

Not until it became possible for 10 men to provide food, clothing and shelter for 20 families were education, literature, art and science possible. These in turn have given us everything of which civilization can boast.

A primitive man could be honest and just, could bow in true devotion before his god, obey all the

natural and moral laws, be a good son, brother, husband, father and neighbor. All additional that civilized men now possess, education, enlightenment, methods, systems, facilities and organizations, represent the excess product of effort, that which has been produced, created, earned and saved, and neither wasted nor destroyed.

The standard of civilization in any country and the progress and prosperity of its people depend primarily upon the available supply and growth of capital and whether it is given such protection, security and encouragement that it is invested and its profits and interest reinvested at home.

Rapid progress in the creation of excess capital is dependent upon an abundant and easily acquired food supply, that is, cheap food. If 90% of the workers must be employed constantly to feed, clothe and house the 100%, then only 10% can devote their time to works of improvement.

When all men were obliged to occupy their entire time getting a bare living and defending their lives there was no one who could undertake the development of the industrial arts, or find time to make tools and weapons.

The most rapid progress has been possible, therefore, in countries where only 20 to 30% of the workers are required to keep up the food supply. This explains the wonderfully rapid industrial advancement of the United States.

We often hear it said: "Good crops will bring prosperity"; and, "The crops are the backbone of industry."

The meaning of these statements is that only when there is an ample food supply is it possible to employ large numbers of men in constructive lines. Men who are building railroads, developing canals, and

water power, installing electric plants, erecting houses and factories, constructing machinery, manufacturing clothing, etc., must be fed, hence the advantage of good crops.

WHY THE GROWTH OF CAPITAL SHOULD BE GIVEN EVERY ENCOURAGEMENT.

Just as an accumulation of capital was necessary to enable humanity to emerge from barbarism and start on its upward progress toward civilization, so a continuing growth in the volume of capital is required to assure our present and future prosperity—to make possible the excess of production we demand to satisfy our constantly increasing needs and desires, and those of an ever growing population.

By the use of tools, implements and weapons primitive man was able to hunt more successfully, remove skins more quickly for use as clothing, and he could better defend his life against the attacks of wild animals.

Thus his possession of capital, by increasing his food supply and providing clothing to protect him against inclement weather, lengthened his life and made possible a material increase of population.

If he had reduced his active or working hours proportionate to the advantage gained by the use of these primitive weapons and tools, however, his material advance would have stopped short and there would have been no further progress toward a higher civilization.

If the saving men had been eliminated 5000 years ago and profit taking and interest prohibited by law humanity today would be in the same stage of industrial development that the American Indians were when Columbus first sailed from Spain.

Growth of capital is always characterized by improvement in methods of production, manufacturing and transportation. Better systems are adopted and new machinery replaces that which is not fully up

to date, to the end that results may be obtained at the lowest possible cost.

There are several big corporations in this country that have thrown away millions of dollars worth of machinery to make way for the introduction of better and more effective equipment. The managements of these companies keep them up to date and thus so hold down the operating costs that they are able to provide continuous employment for their workmen and dividends for their stockholders.

When capital is driven away by fear or discouragement improvement of practice and equipment ceases and the burden of competing with more progressive countries, under the handicap of obsolete machinery and antiquated system, must be borne by the working people and the community.

SHOWING THAT INDUSTRIAL PROGRESS IS THE PRODUCT OF INDIVIDUAL SAVINGS.

Shorn of all technical terms, the highly developed and wonderfully productive system of industry with which we are now blessed is the product of individual savings.

A great many people of this and preceding generations have seen fit to deny themselves the pleasures of high living and expensive entertainments that others around them were enjoying and to save and invest a portion of their incomes.

These savings in the aggregate have paid for the agricultural and mining developments, furnished the powerful and efficient equipment now used so advantageously in these industries, constructed the railroads, built the ships that go to sea, erected mills, factories and shops, perfected labor saving inventions and so made it possible for a light day's work to produce more now than 10 or 20 days of hard manual labor could a few centuries ago.

The capital so acquired and inherited by a portion of the people of one generation has been given by them to their descendants in the next. Where the receivers of inheritances have used such capital wisely and been frugal in their expenditures large fortunes have accumulated.

Instead of being detrimental to the welfare of the country and the people, these accumulations are proving to be of the greatest possible benefit. They supply tools and opportunities for the employment of labor, establish new industrial enterprises, increase

the supplies of food and other necessities and exert an influence to advance wages.

Large fortunes and big profits furnish the means and the incentive for that industrial activity, progress and prosperity that are so beneficial to all classes of people.

Some of the largest fortunes in this country were made in mining and other related enterprises.

Assume that two men or corporations undertake the development of different groups of mining claims. In one group \$1,000,000 is lost through failure to find ore; but the owner of the other makes a net profit of \$10,000,000.

This profit will be reinvested to the great benefit of the whole people, for it will create industries that otherwise must have been omitted or deferred.

If it is invested in vacant land the sellers of the land must use it in some manner that will stimulate and increase industrial activity.

The more capital there is employed the greater is the business progress. Just as a decreasing volume of business means hard times, so an increasing volume means prosperity.

HOW THE GROWTH AND RESULTANT COMPETITION OF CAPITAL BENEFIT LABOR.

Many highly educated men who have written plausibly and convincingly have endeavored to teach the workingman that capital is his worst enemy. As a matter of fact it is his best friend, for it provides him employment, lightens his labors and so increases his productive capacity and compensation as to enable him to live better now than even the greatest rulers and potentates did before capital became abundant.

The man who works with his hands, unaided by capital, and produces for himself one unit of value per day, is only one quarter as well off as when, aided by capital, he is turning out six units of value per day and receiving four units as his compensation.

A man with a steel spade can turn over 10 times as much soil in a day as he could with the dead limb of a tree or with a flat stone. Supply him with a horse and plow and he will beat his steel spade record 10 times over. Given a traction engine, a gang plow and disking harrow he can prepare for seeding as large an area in a given time as could 10 men and horses, 100 men with spades or 1000 men with sticks and flat stones.

The larger the excess of production, above that used by the workers, the greater the amount available for new industrial undertakings. It is excess of production, that is, profits and savings, that creates the increasing demand for labor, and tends to advance wages and to reduce prices.

From the standpoint of the workingman prices are more relative than real. Flour is cheaper to him at

\$7 a barrel when he is paid \$3 a day than it is at \$4 when his wage is \$1.50.

In order to employ labor to the best advantage there must be a full supply of tools and machinery, a cash or credit reserve from which good living wages are paid while the preliminary work is being done, and perfectly developed plans and systems for the conduct of the work.

Capital cannot earn profits and interest except through the employment of labor. The appreciation of real estate values and the ability of government to collect tax money for its support, are based upon local and general industrial prosperity.

Labor without the assistance of capital and the directing influence of an ingenious plan-making mind is usually wasted. It is like fishing without a hook or spear. Under such conditions you may possibly catch a fish. Without capital or clear mental vision a man may sustain life, but with such handicaps universally imposed most of the men now living would die of starvation.

If the world's total supply of capital were obliterated at one stroke—even as one's house and furnishings are sometimes completely destroyed by fire—at least half of all the human beings on the earth would die of starvation and exposure within a few weeks and within a few years the world's population probably would be reduced by 70 to 80%.

The capitalist or employing class is commonly charged with having no regard for human beings, with hiring labor at the lowest possible wage and with "robbing the workers of what is justly theirs." It is claimed that "the worker is entitled to the full product of his labor."

From the standpoint of exact justice the worker, when not assisted by any capital of his own, is justly entitled to as much and no more than he would be

able to produce or acquire in a primitive state, in a country the resources of which had not been developed by capital. This might amount on an average per day to what he can buy now for 20 or 30 cents. All he gets in excess of this comes from the portion that in simple justice belongs to the capital, which to that and a greater extent has increased the productive power of his labor.

Capital, through its competition for profitable employment, has advanced the wages of the worker to several times the amount of value his labor would be able to create without the aid of capital.

Labor should recognize this advantage and work for further progress along this particular line; but instead of expressing gratitude its agitators are vociferously demanding that labor be given all of the share that rightfully belongs to capital.

The efforts of capital to obtain the most efficient workmen and to find a market for its product grow steadily in ratio with its increasing accumulation and use. The results are advancing wages and a reduced margin of profit per unit of material produced, manufactured and transported.

Fifty years ago the manufacturers of the Connecticut Valley received 28.45 cents per pound above base cost of the metals for brass wire, and 27.72 cents for converting copper into wire. They now receive 2.25 cents above base cost for brass wire and one cent for drawing copper into wire. Meanwhile the wages paid have approximately doubled.

In all other lines of industry the results have been similar. Competition of capital in manufacturing and in the converting of materials has steadily reduced the difference between cost and selling prices.

The high cost of living is chiefly due to wage advances, reductions in the hours of labor, decreased interest and effort on the part of the workers, discour-

agement of capital, increased taxation and the excessive cost of distribution, to the tremendous expenses of conducting retail merchandising.

When capital is brought more and more strongly into competition it can maintain its earnings only by greatly increasing its activity.

The manufacturer or merchant having \$1,000,000 of capital, turning it over only once a year and making a net income of 6%, takes three times as much from the people for a given amount of service as he would if he turned his capital over six times annually and made a profit of 12%; in the first case he must get \$1.06 for an article the gross cost of which is \$1; and in the second he sells the same article for \$1.02.

The public never figures out such matters. It imagines that the concern paying 12% dividends necessarily must be robbing the people.

The benefit derived by the public from the existing supply of capital is more than twice as great as the income received by the owners. This can be proved by mathematical computation.

It is estimated that the total wealth of the United States is \$130,000,000,000, and that it yields the owners an average of 3 1-2%, much of it representing nonproductive property and a large portion being invested in 2 to 4% bonds. The owners, therefore, derive a total income of about \$4,550,000,000 annually.

Now the average yearly wages paid in China, where the workman is aided only to a slight degree by capital, is less than \$100; and the Mexican farmer of the interior country raises about \$100 worth of products annually.

By comparison, there are at least 20,000,000 workers in the United States who receive an average of \$600 annually in wages. The \$500 yearly excess compen-

sation, which each of our working people derives through the aid of capital and its competition, aggregates \$10,000,000,000, and this is more than double the profits that accrue to the owners of the country's combined capital and wealth.

ARE HUMAN RIGHTS MORE IMPORTANT THAN THE RIGHTS OF PROPERTY?

When rioting occurs in connection with labor wars and when the capital invested by the people of one country in another is threatened with destruction by revolution the possible sacrifice of life in the defence of such property is usually greeted by a wail of protest from self-styled humanitarians.

Accumulated capital has saved, prolonged and increased the comfort and happiness of hundreds of lives for every one that has been lost defending it.

You hear a great deal about human rights as distinguished from property rights. If no capital had been accumulated or the amount in existence were rapidly and continuously decreasing, human rights would not be worth while. They would not even be discussed.

The best philanthropic, scientific and political agencies are constantly working to combat disease, yet were a new form of plague to sweep the world it could hardly be expected to destroy as much life as would the obliteration of all capital.

SHOWING THAT BIG PROFITS FOR CAPITAL ARE BENEFICIAL TO THE WHOLE COMMUNITY.

The occasional making of big profits is in no way a detriment to the people; it is in every way of great public benefit. It is the lure of possibilities of profit that causes thousands of new enterprises to be launched, which otherwise would never be undertaken.

Condemnation of big profits and of so-called trusts usually comes originally from unsuccessful rivals. The manufacturer who can turn out any standard article of a style and quality that make it more acceptable to the public, and sell it at the same or a lower price very naturally monopolizes the demand. His profits grow to tremendous proportions and many of his competitors are forced to improve their practice greatly or retire from business. His success injures his rivals, but it benefits the public.

The business ventures that end in failure are so many that they defy enumeration. Unless these losses were immensely more than offset by the profits of successful undertakings there would be a continuing recession in the supply of capital; hence the necessity of profit making.

It is a case of "no prize, no race." The possibility and prospect of winning are what make men strive. Without this striving there would be no more business activity, material progress and prosperity here than there are in China, Siberia or Central Africa.

Growth of capital to finance new enterprises and the extension of those already in existence is absolutely necessary to continuing progress. If it is not supplied by large profits it must be accumulated by that slow process of individual self-denial and saving

which a vast majority of the people find extremely distasteful.

Whenever big profits are being made there is rapid industrial expansion. New enterprises are being established, labor is fully employed, wages are advancing and the whole country is prosperous. Such general prosperity is never created by anything else.

When a given line of industry yields big profits it attracts new capital, which creates and increases competition. Limitation of profits by law, therefore, would tend to restrict competition.

Restricted profits would lead to reduced industrial development, loss of capital by this country through the avenues of investment abroad, a growing surplus of workmen competing for employment, declining wages and a decreasing home market for our products.

When there is an abundant and growing supply of capital seeking employment in profitable industries, capitalists are obliged to compete for the available efficient labor. They must improve working conditions and advance wages, thus increasing the independence and liberty of the workingman.

The more capital there is the more it competes, and it is the competition of capital for profit and interest that develops natural resources, builds and operates railroads and factories, opens and equips mines, covers the oceans with ships, increases the demand for labor, advances wages and reduces the margin of profit, or the difference between the cost and the selling price of all commodities.

If labor is to be "emancipated," therefore, the emancipation must come about through the encouragement, upbuilding and conservation of capital. In this work the government, the labor organizations and the voters generally must co-operate.

The best way to create competition in business is by permitting the so-called trusts, that is, the big industrial combinations, to carry forward their plans unobstructedly. They are great creators of capital and their profits inevitably return in force to storm their own citadels.

Did not Charles M. Schwab take his profits from the United States Steel corporation and use them to enter into competition with it in Bethlehem Steel? Cannot hundreds of similar instances be cited?

Business competition increases with the growth of profits and capital, and in no other way. Unless capital is permitted to earn big profits in this country it will go to other countries where such privilege exists, and on its departure it will leave behind a decreasing demand for labor, declining independence and increasing poverty and want.

A relatively small and declining supply of capital always increases the competition between the workers. Two or more men are after every job and wages decline, or, at any rate, do not advance.

The wage earners are faced with decreasing opportunity for employment and this tends to deprive them of the privilege of selecting the work in which they are proficient and which is congenial to them. They lose their power to dictate wages, hours of labor and shop regulations. What may properly be defined as their liberties rapidly disappear.

In a community of 1,000,000 people and only \$1,000,000 worth of accumulated capital the latter can dictate wages, conditions of employment and the prices of food and clothing to the 200,000 workingmen. Bring \$200,000,000 more capital into that community and restrict it to employment there and the power of the capital over the workingmen immediately disappears.

CONCERNING THE WASTE AND MISUSE OF CAPITAL.

Capital is wasted absolutely when it is burned up, lost in shipwrecks and otherwise irreparably destroyed. Through insurance it is simply replaced from the store of other capital already in existence.

The very large amount of capital that is expended annually in unproductive and unprofitable enterprises such as trying to develop mines where pay ore does not exist, in building railroads where they will not actually be needed, in the erection of houses that will not be used, in employing the inefficient, lazy and wasteful who do not earn their wages or salaries, is not wholly lost. A part of it is wasted and the remainder simply changes ownership. Being paid to wage earners and for equipment and supplies, a portion of it is saved by those to whom it goes, and is reinvested.

Pleasure automobiles, theatres and show tickets, baseball, wines, liquors, tobacco, etc., also distribute capital without producing anything of necessary value unless they do so by adding to the enjoyment of life.

Luxuriant living and extravagance, while they waste some capital, operate chiefly to distribute wealth. All of the money spent for luxuries goes to pay for labor, to purchase products and to pay margins of profit to inventors, planners, manufacturers and merchants.

Wasteful extravagance is to be deplored, however, for it would be much better for all concerned if this capital were conserved and put to better uses.

It should be expended on intelligent plans for soil improvement, planting and cultivation of fruit and other useful trees, conservation and use of water sup-

plies, exploration of mineral bearing areas, good roads and in the employment of men of inventive genius to create and improve machinery and develop better systems for the handling of materials and of raising the standards of efficiency in such ways as would improve the productive capacity of labor.

It is not intended to decry pleasures or luxuries; but they should not be indulged in until they can be afforded. This applies to the nation and the whole world just as it does to the individual.

The creation of luxuries and the enjoyment of pleasures represent consumption of food, materials and time. To supply and make these available the productive, transportation and manufacturing industries must be kept in a thoroughly healthy and flourishing condition.

Such a condition can be created and maintained by giving every encouragement to and providing security for the private capital that is employed in the necessary industries. The government should neither interfere with, attempt to regulate nor excessively tax such capital.

THE DANGER OF CONVERTING TOO MUCH CAPITAL INTO FIXED WEALTH.

If too large a proportion of the new capital that is created and saved annually is used to erect buildings of more massive construction, of more expensive materials and more richly, elaborately and artistically finished and furnished than are required for usefulness, comfort and convenience, the more necessary industries are thereby deprived proportionately of both labor and capital.

The clearest headed students of economics realize fully that this country for some time past has been tying up too much capital in bricks and mortar.

Ancient Egypt tied up its surplus capital in the building of the pyramids and the Sphinx, which, when completed, would neither increase the productivity of labor, feed, clothe nor shelter the people.

The building of ancient Rome was a tremendous strain on the resources of the productive units of the Romans, and after the city was burned the rebuilding drained the community dry of its accumulated liquid capital, leaving the Romans a helpless and easy prey to the Barbarians from the north.

A few thousand years ago a great civilization flourished in Mexico and Central America. It built its capital into massive architecture, instead of putting it into irrigation works, factories and transportation systems, and that civilization also vanished as did those of ancient Egypt and Rome.

Now the people of the United States are over building. Too large a percentage of our new capital is going into real estate improvements, into theatres, show houses, automobiles and other unproductive in-

vestments and entertainments, and into governmental extravagances.

Meanwhile the government, by restrictive legislation, regulation, and excessive taxation, is discouraging the productive, manufacturing and transportation industries, which is equivalent to drying up the river at its source, or digging away the foundation of the structure of values.

It is largely as a result of the discouragement of the more vital and necessary industries that an abnormal amount of our surplus capital is going into real estate improvements, and governmental extravagances and being wasted in luxurious living and entertainments.

The savings banks and insurance companies are discontinuing very largely the purchase of railroad and industrial bonds for investment, because such bonds have been declining in price. They are steadily increasing their real estate mortgage holdings.

Thus building is being encouraged and the supply of money available for extending productive and transportation enterprises is curtailed.

ARMIES AND NAVIES REPRESENT A NECESSARY WASTE.

In the popular estimate the greatest wastes of capital are caused by wars and by the maintenance of standing armies and expensive navies. This is very largely true, and it constitutes a much stronger argument in favor of universal peace than the appeals from the humanitarian standpoint that come from the peace societies.

If a government maintains a well-trained army of reasonable size and a strong navy and uses them as Great Britain does, to protect the capital of its people, at home, on the high seas and that invested in other countries, then the expense is justified; for it creates a confidence, a sense of security, that encourages investment and thus promotes industrial progress and prosperity. Retire England's navy and that country's leading position in the world's foreign trade would soon be lost. The same is true of Germany and of other commercial countries.

Since the human race first made its appearance on earth the poorer tribes and nations have been jealous of the richer ones. Wars date back farther than the invention of gunpowder. Acquisition of territory, capital and trade have been the causes of most wars. Human lives are sacrificed in war, but wars are not for this purpose.

When army and navy expenses are incurred for the simple purpose of maintaining a party or a monarch in power, they are not warranted—except in cases where the administration represents defence of property rights and security of capital. Unless a nation has these its working people will be forced to emigrate in search of employment and the strength of

the nation and its standard of civilization will surely decline.

The four preceding paragraphs express views that may at first appear brutal to the cursory reader, but if he will analyze them carefully with an unprejudiced mind he will, I think, agree that they are true.

Every wealthy country must continue prepared for war for at least two or three generations to come. Unfortunately the huge amounts of capital that armies and navies consume cannot as yet be put, with safety, to better uses.

INVESTMENT FADS, TOGETHER WITH SOME RAILROAD HISTORY.

Industrial progress is frequently interrupted and delayed by what may be termed investment fads, by which, for a time, too much capital goes into one line of enterprise, making its expansion more rapid than the demand for the particular service or the product justifies.

For some time past the country's productive and transportation industries have been suffering to some extent from the heavy expenditures for the construction of the Panama and other canals, from over building of skyscraper office and apartment structures in the cities, and from the tying up and partial waste of capital in pleasure automobiles, moving pictures and other luxurious facilities for entertainment.

It will be recalled that the United States passed through a severe period of depression following the years of too rapid railroad construction and, as a result, approximately 70% of its total railroad mileage was at one time in the hands of receivers.

Over capitalization has been quite generally blamed for these receiverships, but the trouble arose more largely from lack of earnings. The railroads had been built more rapidly than the country's business had grown, faster than the increase and distribution of population warranted.

The stock issues of the railroads never threw them into receiverships. It was their inability to pay the interest on their bonded indebtedness.

Some of the railroads issued too many bonds and were obliged to sell them at too great a discount from par. The real mistakes, however, were in building lines through sections of the country that were not

sufficiently populated or their industries far enough developed to warrant the heavy investments that the railroad construction required.

Such over expansion always results in a temporarily decreased income from the capital so tied up and the final loss and waste of a portion of it, and consequently there follows a period in which there is less new capital available for the creation of the more vital enterprises, because more immediately needed, or for the expansion of those already in existence.

So called watered capital never created a dollar of excess earnings in any business. Good judgment, able management and tireless enterprise may create sufficient capital to absorb the water in excessive capitalization; but the same things would get equivalent results if there were no watered stock.

It may be said in favor of the practice of watering stock that when a corporation overcapitalizes it creates a condition that prompts its officials to put a larger percentage of the profits back into the business.

THE SECURITY BEHIND GOVERNMENT, STATE AND MUNICIPAL BONDS.

Because of the alarm of investors, occasioned by the persistent governmental intermeddling with business affairs, there has come to be an abnormal demand for what are considered absolutely safe investments.

Government, state and municipal bonds, though frequently in poor demand, sometimes find ready sale at prices on which they yield only a little more than 3 percent.

Investors in this country seem to think that the government's credit will continue good, even though it destroys the industries from which come the earnings that pay every tax bill.

The people bow humbly before the capitalist when they would borrow money to build schools, sewers, water works or bridges. They pledge the whole community and its property to the payment of such debts and the state exempts the holders of such bonds from taxation.

When a manufacturer, an electric lighting corporation or a railroad squints toward a town it is beckoned on with extreme cordiality. In not very rare instances it is given tax exemption for a short period.

No sooner is such private capital converted into buildings and machinery, power plants, poles, wires, roadbeds, rails and stations, however, than the public apparently decides that it is an enemy of the people.

The railroad is forced to abolish its grade crossings, reduce fares and freight rates, tear up freight yards and move them to the outskirts of the town; the lighting company must put its wires underground and cut the charges for its service; the factory must abolish child labor, reduce the working hours per week

and not infrequently consent to the management of its working forces by the walking delegate of a labor union.

In the meantime the taxation of all these enterprises is rapidly increased. Each of them pays a corporation, state, municipal and income tax.

Without these and similar enterprises the town itself would have no excuse for existence and its bonds would be worth little more than blank paper. Municipal or state ownership is not the solution, for no community can borrow until private capital has established profitable and substantial industries therein. The successful private enterprises in the United States are the only real security behind the government's bonds.

THE RISKING OF CAPITAL AND THE HOARDING OF MONEY.

A very large percentage of those who save and accumulate are willing to take an ordinary business risk. They will put a portion of their capital into a new enterprise, satisfied to take the chance of possible loss, if it promises large profits.

If they have reason to fear that their profits will be limited by government regulation, however, they will refuse to take that risk, in addition to those which ordinarily are incurred in all new undertakings.

As a result fewer new enterprises will be financed, industrial progress will be slower, there will be a reduced demand for labor, the circulation of money will be retarded, cost of production will not decline and the prices of commodities and service will remain stationary, or advance.

To invest or not to invest is always the question confronting the man who saves. If he cannot trust his own government to give him a square deal, he hoards his savings or puts them into foreign securities.

The habit of hoarding is disastrous to the industries of any country. It retires gold from circulation, causes money panics and dams up the sources of financing which are depended upon to supply the sustenance of business endeavor.

Once acquired, the hoarding habit becomes chronic. Generations ago the people of India, lacking confidence in their government, put their surplus savings into gold and precious stones and built fortified castles in which to hoard and protect their wealth.

This habit became so fixed that after the British

had established a staple government in India hoarding continued and it continues among the natives to-day. Every year they lock up more gold and silver, to the extent of millions of pounds sterling, and the industrial development of the country lags.

A country's prosperity is measured by the growth in the amount of capital that is employed effectively within its borders, by the increase and expansion of industrial enterprises. Unfortunate is that country that does not produce in excess of the consumptive requirements and luxury demands of its people.

WHY THERE IS A WALL STREET AND THE FUNCTIONS PERFORMED BY SUCH FINANCIAL CENTERS.

The theory that profits represent just so much money or capital stolen from the public, and that corporations are organizations formed to facilitate such robbery, is responsible for the growing disposition to condemn Wall street and the stock exchanges.

It has been shown already that if every service were rendered at cost there would be no surplus with which to extend and expand the country's industrial equipment and facilities, and that profits necessarily are used for this purpose to the great and lasting benefit of the whole community.

New industries must be financed, and often it is desirable to expand those already established.

The average person who makes profits or saves from his income is not sufficiently well informed concerning the progress of industry, the development of operating efficiency, the growth of public needs and desires and the ability of individuals to supply them, so that he is competent to invest his surplus wisely. It is greatly to his advantage to be able to consult experts who devote their entire lives to the study of values and also to have the benefit of a public market in which prices are made by competitive buying and selling. These are supplied by the big investment banking and underwriting firms, which have their headquarters in the financial centers, and by the stock exchanges.

To make a success of the stock brokerage and investment business one must possess exceptional ability and be scrupulously honest. He must be a most painstaking and tireless student of values, and have

capital and the courage to risk it on the result of his investigations.

The quite prevalent belief that underwriters and brokers float and recommend the purchase of those securities which yield them the largest profits and commissions is correct only so far as it applies to those fly-by-night promoters of wildcat companies whose business it is to prey upon people's ignorance by issuing certificates of capitalization against impracticable schemes and valueless properties and using them to obtain money under false pretences.

Those underwriting bankers and brokers who are members of the leading exchanges and associations probably devote the greater portion of all their time to the work of discouraging unwise financing and of preventing people with money from investing it unwisely, and for such efforts they do not derive one cent of income. Their success depends wholly upon their ability to select good, substantial and profitable enterprises into which their clients may put their money. The brokers and underwriters who fail to do this soon lose their clients, waste their capital resources and are forced to retire from business.

A clientele that is making good profits, obtaining regular interest payments and dividends on its investments, and whose securities are tending to appreciate, forms the best asset that an underwriting or brokerage firm can possibly possess.

This fact, of course, is self-evident, and it is a conclusive answer to the claims which are frequently made that some of our great underwriting firms have robbed the corporations for which they are the financial agents. It is the first requirement of the underwriting banking house that it do everything within its power to build up the earning capacity and to

maintain the stability of the enterprises behind the securities it sells.

The underwriting bankers often perform a valuable public service by restraining the corporations they finance from making excessive issues of securities. Unless the corporation can show the underwriters conclusively that the new capital they wish to raise is needed and can be used for the benefit of the company, the underwriters refuse to market the proposed issue, and thus they exert an influence to prevent that over-expansion which would be dangerous.

The stock exchanges, on which millions of shares and bonds are bought and sold daily, provide open markets in which securities are obliged to stand upon their merits. If a company is over-capitalized, well managed and so conducted that it can meet and withstand competition, its securities advance and sell in some cases many times above par.

Since the outbreak of the European war made it necessary to suspend their operations the importance of the stock exchanges is beginning to be recognized more fully than ever before. When securities are not readily salable they cease to be good collateral for loans. This makes capital less readily obtainable for business purposes, and every department of industry and trade is contracted.

If the stock exchanges were abolished capital would be made less liquid and the great insurance companies, for example, would be unable to sell their investments and make prompt payments for heavy losses by the insured.

Investors throughout the whole country would be deprived of that most valuable source of reliable information as to the market value of investments which is furnished them by the record of stock and bond transactions published daily in the press.

There is no other line of business in which the commission charge is anything like as low as it is in stock and bond brokerage. The commission for selling 100 shares of stock having a value of \$1000 to \$20,000 is \$25, and this is divided between the buyer and the seller. Real estate and commodity brokers charge many times this rate of commission for turning over property or commodities of equal value.

It must be seen, therefore, that to abolish the stock exchanges would be to increase the expense and cost of buying and selling securities and that it would increase very greatly the opportunities for the practice of fraud.

Speculation is not to be deplored. It is probable that 90% of all the capital saved and invested represents an effort on the part of the man who saves and invests to obtain profit through appreciation in value of the commodities, property or securities he buys. Speculation, therefore, promotes saving and it is the most powerful of all agencies that operate to increase and expand industrial development.

Thousands of people, yes, tens of thousands, own Standard Oil, Telephone, Calumet & Hecla, United States Steel, American Tobacco, and other shares at present highly valuable, which they bought years ago at very low prices, and the price appreciation and dividends of which have made them comfortably rich.

If these companies did not have tens of thousands of stockholders there might appear to be some real ground for the claims of socialistic reformers that the wealth of the country is concentrated in a few hands.

The stocks and bonds of the successful dividend paying corporations of this country are owned by more than 5,000,000 people, and 15,000,000 to 30,000,000 more are indirectly owners through their savings bank deposits and life insurance policies.

WHY THE RIGHT OF PRIVATE OWNERSHIP SHOULD BE RESPECTED.

The right of ownership is based upon possession, through honest and legitimate acquisition.

Nearly all men earn and make more than they are actually compelled to spend, and those who deny themselves luxuries and pleasures to save, become owners of capital.

No matter how large your income may be, you cannot become a capitalist except through self-denial. There can be no justice, therefore, in laws that confiscate, in whole or in part, directly or indirectly, the capital of those who have saved, for the benefit of those who have not.

Every wage earner of the present day who is willing to eat the plain food, wear the rough clothing, endure the lack of home comforts and conveniences and confine himself to the meagre expenditures for luxuries that his great-great grandfather did can save from half to three-quarters of his income and soon become a substantial capitalist himself.

A century or two ago the average daily wages of a mechanic would buy from one-half bushel to one bushel of wheat. Today it will buy from two to five bushels.

This multiplication of the workman's compensation is wholly due to the tremendous increase in capital, which has furnished tools and machinery to increase the productive capacity of man and also constructed the great transportation systems which for a small charge bring food and other commodities from the remotest corners of the earth to the great centers of population.

You are vitally interested in the existence of a large and growing supply of capital, even though you do not own any. You are somewhat in the position of Ikey on the ocean liner.

A sailor rushed up to Ikey and cried: "Hurry, hurry; the ship is sinking." "Vy should I care," replied Ikey, "the ship don't belong to me."

The capital that has been saved, accumulated and invested in productive industries, even though you own little or none of it, is just as important to you as was the boat to Ikey. It keeps you afloat.

This point was forcibly illustrated by the recent disastrous fire, which destroyed the business and manufacturing section of Salem, Mass.

Following the fire it became necessary to raise \$500,000 to \$1,000,000 immediately to feed, clothe and house several thousand people who had been thrown out of employment. They, and not those whose capital had been destroyed, were left homeless and helpless.

The capital owned by others had been supplying these poor people with opportunity for self support. The landlords, merchants, manufacturers and their stockholders did not appeal for aid.

These poor, jobless, hungry people were not fed by the socialists, the labor unions or the government. Congress turned down flat the first request for \$200,000. Before it was finally forced by public opinion to contribute, private capitalists had supplied nearly \$500,000 in cash and other necessities.

This shows how vitally more important the existence of capital is to the public than is its ownership.

FAMINES, FORMERLY OF FREQUENT OCCURRENCE, MADE PRACTICALLY IMPOSSIBLE BY ACCUMULATION AND USE OF CAPITAL.

Since history began to be written millions upon millions of people have died of famine. Only a few centuries ago famines were quite common, visiting one nation or tribe of people after another at irregular intervals.

Ancient history is filled with accounts of famines; but modern literature is written chiefly by those who never stop to inquire how famines have been obliterated and rendered practically impossible.

Indeed, nearly every magazine and newspaper you now read contains either vicious or simply foolish condemnation of those great agencies that are protecting humanity from the recurrence of famine.

Were a man to publicly advocate abolishing hospitals, physicians and medicines, he would be sent to a mad house; if he will but rant against the railroads, and the grain in elevators and meats, eggs and fruits in cold storage "held for purpose of speculation", he likely will be sent to congress.

"But," the socialist will say, "under socialism the government would do the saving and accumulating in preparation for such emergencies and there would be no profit."

Why assume that such a government would reflect the wills of a different people than the present one does?

Is it not a notorious fact that governments invariably and for all time have spent more than their incomes, that they have borrowed excessively and not infrequently repudiated their debts?

THE NATURE AND FUNCTIONS OF MONEY.

Technically, money is not capital; but gold, the currency basis of the highly civilized nations, is.

Money is the medium or the instrument of exchange and the certificate of capital delivered or service rendered.

The fact that paper and subsidiary currency may at the option of the holder be exchanged for or redeemed in a stated quantity of gold, which is accepted at full and equal value in all the world's markets, makes money in a way a measure of value.

Numerous students of economic science have confounded money with capital, and through this error in the premise have led themselves and others to believe that all the blessings which actually do come from a large increase in the supply of capital, could be created by simply issuing an abundance of currency.

If we were obliged to decide whether all the money in the United States, or an amount of capital of equal value, corn, cotton, cattle, etc., should be destroyed by fire or lost in the ocean, we would direct, of course, that the money be sacrificed and the capital saved.

Could we not ship this capital abroad and exchange it for as much gold as we had possessed of, all kinds of money previously?

Dump all the world's gold upon our shores, run the mints and printing presses night and day, engrave the fiats of all governments on every paper note, and the country's crops would be no larger, the sheep would not grow a heavier fleece, the mines would yield neither more nor richer ores, and the fish in the ocean would no more greedily bite the fisherman's

hook or come more readily to his net. Neither would all this money encourage increased industry nor thrift, and there would be no more food, raiment or shelter for the people than previously existed.

Certainly we could use such a money supply as described to purchase commodities abroad and thus increase our possessions of capital; but in this and in no other way would our people benefit.

In similar manner we now ship cotton cloth to China and import tea from that country. Although the sellers of the first and the buyers of the last are not identical, one pays for the other, the bill of exchange, through a swapping of credits, performing what are generally understood to be the functions of money.

Periods of great business expansion are often followed by financial panics, chiefly because the people become envious of those who are making large profits and take an attitude politically that threatens the rights of property ownership. The effect of this is to shatter confidence, which means to impair credit.

This leads to the hoarding of gold just at the time when the burden of effecting exchanges is being shifted from credit to money.

If the people could be made to understand that these periods of rapid business expansion are of tremendous benefit to every individual their antagonism would be silenced and panics would be avoided. Credit naturally increases proportionately with the growth of capital, the latter forming the basis of the former. Until credit is threatened there is never any danger of a financial panic. Permitted to perform its functions normally credit will supplement the work of money and finance all legitimate expansion.

SOCIALISM; WHAT IT IS AND WHAT IT PLANS TO DO.

Socialism is a theory which has been tested repeatedly in relatively small communities and has never met with a notable success.

Socialists claim, however, that their scheme cannot succeed on a limited scale because of the necessity of competing with, and of patronizing capitalistic interests; but that adopted universally it would create a heaven on earth and "give to the worker the full product of his labor."

If there were no other objection to socialism its proposition that we virtually burn our bridges behind us, that we abandon both our property and all chance of personally accumulating any more, and enter a new system from which there would be no retreat except through revolution or starvation, would be sufficient to repel all men of normal reasoning powers.

Under socialism the people would have to depend upon one central executive and managerial organization. If this proved incompetent the public would be compelled to endure a period of extreme suffering and privation while the management was being changed and new plans perfected and put in operation.

In the industrial world it is already recognized that an undertaking may be too big to be handled and directed by any one human mind. Nothing now in existence, however, can be compared with the hugeness of direct government control of all industries in a country like the United States.

Socialism stands for government ownership and operation of all means of production and distribution,

"to the end that labor may receive the full value of the wealth it creates."

As to how the government shall obtain ownership of all existing wealth socialists are not in full agreement, some favoring purchase and others confiscation.

The most vital question that a socialist government would have to handle would be that of excess capital accumulation and its uses. All progress unquestionably depends upon a continuing increase in the supply of capital and its efficient employment.

If one generation of socialists were required to provide the amount of new capital needed to make possible the most effective employment of the larger generation to follow, it would fall far short of getting the full value of the wealth it created. If it failed to make this provision there could be no progress.

Socialists like to define capital as "stolen wages," or "that portion of labor's product of which it has been robbed." The greater portion of the \$5,200,000,000 deposited in the savings banks of the United States, and which alone represents one-twenty-sixth of the country's total wealth, is the savings of wage earners and belongs to the workers who saved it.

Certainly these savings bank deposits cannot be classed as the "stolen wages of labor." If some of the socialists ever have their way, however, these savings will be stolen by the government for the benefit of those people who could have earned and saved but who preferred to loaf and spend.

Some of the leading writers on socialism have pictured an ideal state in which every known device for eliminating manual labor would be employed. The cities would be so laid out that all service would be rendered by skilfully devised mechanical contrivances.

In the agricultural districts cities would be built in which the farmers with their families would live and

enjoy urban conveniences while they cultivated the surrounding area.

Apparently every one of these writers has overlooked the fact that the creation of such conveniences would represent the accumulation and expenditure in the United States alone of tens of billions of dollars, and that if every able-bodied man and woman of the total population were to work 10 hours per day and be content with only the bare necessities of life it would require at least two or three generations to create this amount of excess capital, make the plans and bring this ideal labor saving scheme to perfection.

If socialists are sufficiently zealous in the advocacy of their ideal to undergo such privations for its realization, why do they not take possession of some vast unchartered area in South America or Africa and there create capital and build up a system according to their own liking?

The answer is that deep down in the heart of every socialist is to be found an ambition, not to create capital, but to acquire that which has been created and saved by others.

The socialists want to take over the businesses that have succeeded, not the failures; the crops that have been harvested, not the ground to be cleared and sown; the mines that are yielding riches, not those in which no ore was found.

The progress of mankind toward civilization was held in check for countless generations by this same eagerness of many primitive people to acquire capital without working for it. No sooner had one tribe become industrious and raised crops and cattle than neighboring tribes made war upon it and frequently succeeded in taking away its possessions; such strife retarding the growth of population and discouraging industry.

If there is anything in heredity we must assume that the labor agitators and socialists of the present time inherit the tendencies of those tribes that preferred taking by force the products of the industry of others to working themselves.

Should the socialists ever come into power they undoubtedly would rest in ease until all the accumulated capital were consumed and thus civilization would revert to barbarism.

It has been prophesied by sages that the end of civilization would come through a too high development of individual mentality, the result of which would be general insanity. Until this condition prevails it is improbable that the reign of universal socialism will begin.

ARE LAND AND LABOR THE BASIS OF ALL WEALTH?

Practically all economists declare that land and labor are the basis and wellspring of human prosperity. Of course these are essential, but no more so than are sunshine, air and water, and the existence of all together do not always lead to material industrial progress or create prosperity.

The American Indians possessed, when Columbus first visited this country, the same land that we have now, and they labored hard to obtain the meagre necessities of life. They were not "bowed down by the burden of their mortgages," nor were they "robbed by the trusts."

The same country is now supporting 30 times as many white people as it then did Indians, and the average white person consumes as much as 10 Indians did.

The only reason that the Indians did not progress was that they neither created and saved nor borrowed capital with which to increase the productivity of their labor.

This country's progress was started by the capital that the early immigrants brought with them, and tremendously accelerated later on by capital borrowed and encouraged to come here from abroad seeking investment.

The borrowed money was so advantageously used that the wealth of the United States is now greater than that of the whole world 300 years ago, and at least 75% of this country's total wealth and capital is now owned by its own people.

As another example of the unsoundness of the land and labor theory, conditions in China may be cited.

That country is generally recognized as one of magnificent natural resources, and the Chinese are among the most industrious people in the world. They have demonstrated their ability as inventors, merchants and agriculturists.

Notwithstanding that China comprises one-thirteenth of the world's land area and has only a fraction less than one-fourth of the world's total population—4,277,170 square miles with 400,000,000 people—in the matter of industrial progress and material prosperity it is far behind practically every other country.

China's foreign trade amounts to only about \$625,000,000 annually, being less than that of Switzerland, which has only 15,976 square miles, 3,471,971 people and no seaport, and China's imports exceed her exports by about \$75,000,000 a year.

China's stagnant condition is due solely to the fact that her people have not created capital and used it to increase their productive capacity. Lack of governmental stability has largely prevented foreign capital from seeking investment there.

The Chinese who save have a habit of hoarding silver, gold, precious stones and art treasures. It is estimated by a high authority that fully one-half of the cloth now made and used in China is still woven on hand looms.

This illustrates how extremely primitive it is possible for conditions to remain among an industrious people, and it explains why the average wage of the workmen in China is only a few cents a day.

The same reforms that we have been discussing in this country recently were considered and acted upon in China 2000 years ago. They even went so far as to undertake an even division of the land, confiscating at one time the greater portion of the large holdings.

The conditions specified, that the landless should plant a given number of trees and do other work within three years and that large holdings should be surrendered, were so generally neglected, however, that the penalty, the cutting off of heads, was revoked and the plan failed.

This was due to the fact that when something is given to a pauper it doesn't make him industrious. If he was obliged to work before, he stops working and spends his gratuity.

The same human characteristic expressed itself when China adopted a plan for the government to loan money to the farmers at 2%. Much of the money was stolen before it reached the farmers and the greater part of the remainder was used by the farmers to support themselves in idleness.

The government money loaning scheme—similar in many respects to the one now proposed in this country—resulted in the depletion of the public treasury, a general agricultural and business depression, and was followed by a most disastrous famine in which hundreds of thousands died of starvation.

The low standard of living of the Chinese and of many other peoples is due to the fact that they have not been sufficiently "exploited" by capitalists. They have neither saved nor borrowed for industrial purposes.

Put a few billions of dollars into the construction of railroads, building of factories, development and equipment of mines and improvement of agricultural practice in China and within a few years the standard of wages would be several times higher, the workmen would have a greater supply of food, live in better houses and give more attention to the education of their children.

PRESENT AND FUTURE PROSPERITY DEPEND UPON THE CONSERVATION OF CAPITAL.

That we bequeath to our children ability to get a living is more important than that we leave them fortunes. They may lose or spend the money we give them, but if the country is blessed with a lasting industrial prosperity they still will be able to support themselves.

It has been made clear that continuing prosperity depends upon a large and growing supply of capital. Therefore it is for the best interests of ourselves and our children that capital be conserved and its increase encouraged.

Fear of confiscation by government, of demands for excessive compensation and reduced working hours by organized labor, of restrictive laws, of investigations and regulation of business, not only tend to restrict investment and thus to retard industrial growth at home, but they also discourage thrift.

Why should one deprive himself of comforts, pleasures, and luxuries to save if the laws and lawmakers cannot be depended upon to protect him in the ownership of his capital? Why take the business risk of investing your surplus income if it will not be permitted to earn profits and interest?

We should use our influence to prevent the government from imposing heavy taxation upon the necessary productive, manufacturing and transportation industries. These enterprises are so essential that they should be given every encouragement.

Every law that increases the taxation on industry or incomes, that is aimed to restrict or to regulate business profits, or that directly or indirectly takes

from those who have earned and saved, with discrimination in favor of those who have not earned or saved, puts a premium on laziness, extravagance and wastefulness.

Such laws demoralize the poor, and by discouraging industrial initiative and investment aggravate and render worse the conditions of the people they are intended to benefit. They represent the most expensive methods that could be conceived to attain a result. You could with as much wisdom cut off your horse's leg to prevent him from running away.

When the true science of government is finally understood it will be the prime motive of the lawmakers and the administration to conserve capital. They will give every possible encouragement to the various business interests that produce, transport, manufacture and distribute the necessities of life.

SUGGESTIONS FOR TAXATION REFORM.

The burden of taxation, so far as possible, should be saddled upon luxuries and upon non-productive wealth.

All luxuries and pleasures, expensive homes, baseball and other entertainment parks, country, golf and other clubs, automobiles, yachts, and parlor cars, palatial hotels, theatres and show houses, manufacturers and dealers in playthings, the various unnecessary articles used for enjoyment and pastime, should be made to bear the larger portion of the burden of taxation just as liquors and tobacco are heavily taxed now.

The owner of a \$100,000 home—this does not mean a productive farm—should be taxed at a higher rate on the valuation than the owner of a \$5000 home. The former is enjoying a non-productive luxury, and upon this luxury, rather than upon his stocks and bonds which represent productive industries, he should be taxed.

The so-called single tax on land would be an excellent thing were it not that by its adoption the government would break a solemn contract and confiscate or steal the property of individuals.

Ownership of land is given full recognition by the community when taxes upon it are levied and collected. To tax such land to its full rental value would be to rob the owner of his property, as the land would cease to be a salable asset.

It is a greater wrong for the people's government to rob the owners of capital or wealth than it is for the highwayman to hold up a citizen and take his watch. The highwayman is alone in his crime; but when the government turns thief a minority of the

citizens, those who understand and honor the right of ownership, are made parties to such crime against their will.

If highwaymen, burglars and other thieves were not punished and imprisoned they would soon create a reign of terror. The people would discontinue saving and would avoid accumulating capital that could be stolen from them.

THE EFFECTS OF A POLICY OF CONFISCATION.

When a government becomes a thief—adopts a policy of confiscation—it discourages and cripples industrial development and business expansion.

For illustration, suppose the United States government decides to take over the railroads, buying them on the basis of an arbitrary appraisal at a price representing less than the cost of duplication. This naturally would be interpreted generally as the adoption of a national policy and every business in the country would begin to fear the necessity of losing its capital, property and established trade at a similar sacrifice.

The result would be that new capital would cease to seek investment in the United States. Even wage earners would refuse to put their money into domestic enterprises and would purchase government bonds and other foreign securities as the French people have since the government of France began taking over private enterprises.

This would lead eventually to such a decrease of industrial activity in the United States that the government's railroads would not carry passengers and freight enough to pay operating and upkeep expenses. Exempting the roads from taxation would simply transfer the burden of supplying the \$113,000,000 the railroads now pay annually in taxes to other industries, thus further discouraging private enterprise.

If the railroads came to be a burden of expense to the government one of three expedients would be resorted to. Rates would be advanced, improvements discontinued or wages reduced.

The government is now charging exorbitant pas-

senger and freight rates on its Panama railroad. In the march of progress the government is generally behind, and the compensation of its postal and other employes in minor positions is lower than that paid by private enterprises for similar service. This is found to be conspicuously the case in the army and navy.

Unquestionably the government has the power to force the men in its employ to accept any standard of wages it chooses to establish. If its railroad employes were to go on strike they could be adjudged guilty of sedition and imprisoned or driven back to their posts by the army. Undoubtedly the public would demand such action.

To assume that the people would permit the service rendered them by their own railroads to be suspended, in order to enforce a demand from their own servants for a higher rate of wages than many of the people themselves are earning, would be the height of absurdity. If the end in view be to check the exorbitant demands of the labor unions, government ownership may thus find partial justification.

THE PROBABLE EFFECT OF THE EUROPEAN WAR.

Those who read and listen to the discussions of the European conflict often hear the statements made that "hundreds of millions of money will be wasted" or "thrown away," and that "the war will set civilization back 50 years."

Money is neither wasted nor thrown away by war, except so far as the individual possession of it is concerned. War absorbs, wastes and destroys capital, but the money continues in existence, simply changing ownership.

Food, the fuel of human endeavor, is used in war to feed men who are engaged in the destruction of life and property. In peace it feeds people who are creating capital, building railroads and equipment, ships, factories and machinery, erecting houses, developing mines and improving property.

As the standard of civilization is measured by the amount of used and usable capital, it is advanced by that peace which is free from political, labor and other strife, and it is turned backward by wars.

If the European countries involved emerge from war with their food supplies exhausted, their transportation facilities crippled, many of their factories destroyed, their cities burned and their population reduced, they presumably will present splendid opportunities for labor, as it will appear at a glance that millions of men must be employed to repair the damage.

It will develop, however, that the demand for labor in this and other countries that have not been at war will be so much greater that there will be largely increased emigration from the war area. The creation

of capital gives some employment, but created capital gives more.

Only where there is an abundant food supply, either raised or imported, is that industrial activity possible which makes for the full employment of labor and the creation of capital. The European war will bring about a scarcity of food in the countries involved, which will have to be supplied chiefly by the United States, Canada, Australia and Argentina, and these countries will benefit industrially and financially.

There is another way in which the United States can benefit greatly, provided the government co-operates with the business interests.

This war will saddle upon Germany, France, Great Britain, Russia and Austria enormously increased indebtedness and expenses. They must pay the cost of war and also pensions, re-establish fortifications, rebuild navies, etc.

Of course this will mean heavy increases in their taxation, which already was excessive before war was declared. Our manufacturers will be much better able to compete with those of Europe in the markets of the world if they are less heavily taxed. This is only one of many reasons why our vital industries, those that produce, manufacture and transport the necessities of life, should be relieved of excessive taxation.

A PLAN FOR A NATIONAL ORGANIZATION FOR THE CONSERVATION OF CAPITAL.

It is time for all classes of people to get together and work unitedly for the conservation of capital.

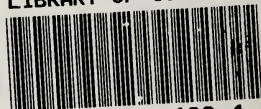
Why not form a national organization of those business men and investors who recognize that the continuing industrial advancement of the United States depends wholly upon the investment of our capital and the reinvestment of our profits, interest and savings at home? What better slogan could be adopted than "The Conservation of Capital."

Such an organization could scrutinize every legislative measure presented in congress and the various state legislatures and prevent the enactment of vicious legislation. Its political influence would soon become so great that it could force the repeal of the laws that are now discouraging investment and business expansion.

By banishing the fear of confiscation by government, and of unjust and unwise regulation, we can strengthen the country industrially and bring increasing prosperity into the home of every citizen, beneficial to the poor as well as to the rich.

Let the United States government adopt the fixed policy of recognizing, defending and protecting the right of ownership and our industries will command the surplus capital of the whole world. Our natural resources will be developed, enterprise will grow and expand, working people will have steady employment at high and advancing wages and we shall set an example which will eventually cause peace and prosperity to encircle the globe.

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